

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 536 - SB 500

April 22, 2021

SUMMARY OF BILL: Authorizes all dealers, when reporting and remitting sales taxes to the Department of Revenue, to retain a certain portion of such taxes in order to compensate for costs incurred in accounting for and remitting such taxes. Limits the deduction to a maximum of \$25 per report, but establishes that such limitation does not apply to returns filed by any out-of-state person making sales in Tennessee who cannot be required to register for sales and use tax under applicable law, but who nevertheless voluntarily registers to collect and remit use tax on items of tangible personal property sold to Tennessee customers. Requires an amount equal to the excess of the amount calculated by the formula provided under current law, over and above the \$25 limit, to be deposited in the General Fund.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - Net Impact - \$24,596,300/FY21-22 and Subsequent Years

Decrease Local Revenue - \$38,473,800/FY21-22 and Subsequent Years

Assumptions:

- According to the Department of Revenue (DOR), the decrease in state revenue as a result of changing the sales and use tax filing formula is \$10,517,136 and the decrease in local revenue is \$3,360,414.
- According to the proposed legislation, any amount in excess of the 2.0 percent up to \$2,500 and 1.15 percent of the amounts greater than \$2,500, over and above the \$25 dollar maximum, must be retained by the state and deposited in the state's General Fund.
- According to DOR, this amount will shift \$35,113,422 from local to state revenue.
- Therefore, the net increase in state revenue will be \$24,596,286 (\$35,113,422 - \$10,517,136) in FY21-22 and subsequent years.
- The decrease in local revenue will be \$38,473,836 (\$35,113,422 + \$3,360,414) in FY21-22 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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